

Finance Committee

HB 2880

Brief Description: Concerning sales and use tax exemptions for aircraft fuel used for research and development purposes.

Sponsors: Representatives Dent, Chandler and Barkis.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Exempts aircraft fuel from sales and use tax if the fuel is used for research and development purposes and the taxpayer hires at least twenty new employees.
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Hearing Date: 2/7/20

Staff: Nick Tucker (786-7383).

Background:

Retail Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Taxation of Aircraft Fuel.

Aircraft fuel is subject to retail sales and use tax as well as the aircraft fuel tax. The aircraft fuel tax is imposed on each gallon of aircraft fuel that is sold, delivered, or used in the state. The rate of the tax is 11 cents per gallon.

Tax Preferences.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

Aircraft fuel is exempt from sales and use tax when the fuel is used in the operation of an aircraft for research and development purposes. The exemption is provided in the form of a remittance.

To be eligible for the exemption, a taxpayer must hire and retain at least 20 new employees whose primary duties are related to the research and development for which the fuel is used.

Appropriation: None.

Fiscal Note: Requested on January 28, 2020.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.